

**MAXIMIZING MENTORING: HOW ARE THE SBA
AND DOD MENTOR-PROTÉGÉ PROGRAMS SERV-
ING SMALL BUSINESSES?**

HEARING
BEFORE THE
SUBCOMMITTEE ON CONTRACTING AND
WORKFORCE
OF THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTEENTH CONGRESS
FIRST SESSION

HEARING HELD
OCTOBER 27, 2015



Small Business Committee Document Number 114-027
Available via the GPO Website: www.fdsys.gov

U.S. GOVERNMENT PUBLISHING OFFICE

97-350

WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

HOUSE COMMITTEE ON SMALL BUSINESS

STEVE CHABOT, Ohio, *Chairman*
STEVE KING, Iowa
BLAINE LUTKEMEYER, Missouri
RICHARD HANNA, New York
TIM HUELSKAMP, Kansas
TOM RICE, South Carolina
CHRIS GIBSON, New York
DAVE BRAT, Virginia
AUMUA AMATA COLEMAN RADEWAGEN, American Samoa
STEVE KNIGHT, California
CARLOS CURBELO, Florida
MIKE BOST, Illinois
CRESENT HARDY, Nevada
NYDIA VELÁZQUEZ, New York, *Ranking Member*
YVETTE CLARK, New York
JUDY CHU, California
JANICE HAHN, California
DONALD PAYNE, JR., New Jersey
GRACE MENG, New York
BRENDA LAWRENCE, Michigan
ALMA ADAMS, North Carolina
SETH MOULTON, Massachusetts
MARK TAKAI, Hawaii

KEVIN FITZPATRICK, *Staff Director*
STEPHEN DENIS, *Deputy Staff Director for Policy*
JAN OLIVER, *Deputy Staff Director for Operation*
BARRY PINELES, *Chief Counsel*
MICHAEL DAY, *Minority Staff Director*

CONTENTS

OPENING STATEMENTS

Hon. Richard Hanna	Page 1
Hon. Judy Chu	2

WITNESSES

Mr. A. John Shoraka, Associate Administrator of Government Contracting and Business Development, Small Business Administration, Washington, DC	4
Mr. Kenyatta Wesley, Acting Director, Office of Small Business Programs, United States Department of Defense, Alexandria, VA	6

APPENDIX

Prepared Statements:	
Mr. A. John Shoraka, Associate Administrator of Government Con- tracting and Business Development, Small Business Administration, Washington, DC	18
Mr. Kenyatta Wesley, Acting Director, Office of Small Business Pro- grams, United States Department of Defense, Alexandria, VA	21
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Material for the Record:	
None.	

MAXIMIZING MENTORING: HOW ARE THE SBA AND DOD MENTOR-PROTÉGÉ PROGRAMS SERVING SMALL BUSINESSES?

TUESDAY, OCTOBER 27, 2015

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON CONTRACTING AND WORKFORCE,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Richard Hanna [chairman of the subcommittee] presiding.

Present: Representatives Hanna, Knight, Hardy, Chu, Lawrence, Clarke, and Bridenstine.

Chairman HANNA. The memorandum from members of the DOD testimony, members of our Committee, it references information which supposedly was provided to the Committee. Unfortunately, even though both Minority and Majority staff requested this information several weeks ago, it was not provided.

DOD did provide it to the Senate Committee on Small Business and Entrepreneurship, who were kind enough to share it with us. Last night after DOD told staff they could not get the information—I would like to say that is not right, it is not fair to waste our time, and generally there is no excuse for it. It hindered the ability of this Committee to provide thorough and thoughtful oversight.

I would remind our witnesses that what happens in this room is for the public good, and we are here for their benefit, and they deserve better than this. That is directed to you, Mr. Wesley, with all due respect. I think it is only fair if I give you a minute to respond.

Mr. WESLEY. It was provided to both the HAS and SAS in previous requests for information. When we went to provide it to you, it was held up because it had not been cleared a second time. That is the process of the Department to get items cleared before we can release it. Now, we are going through that process to get it re-cleared for you, and it will be provided. It was not our intention to hide it or keep it from you, I want to make that clear.

Chairman HANNA. I believe you because I know it is out there. The problem is we might not have had this hearing at this date had we known there was information that was not provided that should have been provided.

Mr. WESLEY. Just for the record—

Chairman HANNA. It makes our hearing incomplete.

Mr. WESLEY. Just for the record, that was not requested of me weeks ago. It was requested of me in a phone call last Friday. I did agree to submit it, but I had to go through the proper clearance to do so. It will be provided as requested.

Chairman HANNA. Well, I suggest to you that your staff, whoever told you Friday, is culpable.

Mr. WESLEY. No, that was on a phone call with your staff, sir.

Chairman HANNA. Is that right?

Mr. WESLEY. Yes, sir.

Chairman HANNA. Apparently we talked to you two weeks ago. We all know where we are on this. Would you like to say anything about this before we move on?

Ms. CHU. No.

Chairman HANNA. Get to the point, right. Thank you very much. Thank you for being here.

The Federal Government has long seen the value of having successful businesses mentor small and emerging businesses, 13 Federal programs have sprung up to encourage mentor-protégé relationships. However, a 2011 Government Accountability Office report questioned the long term effectiveness of these programs.

At that time, the Subcommittee examined these programs and examined whether some inadvertently led small businesses to make decisions that would ultimately disqualify them from Federal contracting. In other words, in its effort to help small businesses, the Federal Government may have harmed those small businesses.

As a result, this Committee included improvements to the civilian agency and Small Business Administration mentor-protégé programs as part of the National Defense Reauthorization Act for 2013.

I would like to say Ranking Member Chu was part of that at the time. She actually led that.

As SBA is beginning to implement these changes, now is the right time to ask three questions. The first question is obvious. Are the changes the SBA is making improving the operation of civilian agency and Government-wide mentor-protégé programs? The second question goes to the heart of the problem, how are SBA and the Department of Defense, DOD, defining success under the various programs, and are we able to see if any program deliver on its promises. The third question, duplication. While there may be a need for separation of DOD mentorship programs, are there better ways to harmonize all the mentor-protégé programs.

Mentor-protégé programs require both parties to invest significant time and resources. Federal agencies provide incentives for mentors to make these commitments and must also approve and oversee the programs.

We owe it to the taxpayer and program participants alike to ensure that Federal mentor-protégé programs ultimately increase the competitive viability of small contractors, so we can all reap the benefits of a healthier industrial base.

I look forward to hearing your testimony today, and I turn to the ranking member for her opening comments.

Ms. CHU. Thank you, Mr. Chairman, for holding this important hearing. I am happy to be here today to fill in for Congress Mem-

ber Takai, the ranking member of the Contracting and Workforce Subcommittee.

With over \$400 billion spent for goods and supplies, the Federal procurement marketplace provides an important customer base for small business. However, the total volume and value of contracts has declined over the last several years, largely due to budget constraints and sequestration. This has led to greater competition between firms as fewer contracting dollars are available.

Given these challenges, the tools and programs available to small businesses play a vital role in enabling small businesses to break into the Federal marketplace. Today's hearing will allow us to focus on the mentor-protégé program and what it means for small firms.

Through mentor-protégé programs, small businesses are able to receive a broad array of business development assistance through various methods, including training, obtaining certifications, and in some cases, receiving loans or non-competitive subcontract awards.

These benefits not only help protégé firms contract with the Government, but also assists them in building up their capacity. Doing so enables them to successfully compete in the marketplace at the conclusion of their mentor-protégé agreement.

Small businesses are not only the beneficiaries of these programs, they also incentivize large companies to match with a protégé firm. However, there are concerns that mentor-protégé programs have become too focused on providing incentives to mentors rather than ensuring protégés actually receive their designated benefits.

In fact, GAO previously found that while certain programs had policies in place to ensure that participants benefitted from the various mentor-protégé programs, the information regarding the ability of the protégé to compete for contracts without the mentors was not available because agencies did not collect the data on protégés after the conclusion of the agreement.

While some programs have policies to ensure participants benefit from the mentor-protégé programs, GAO found that conclusory data collection was inadequate. In fact, we do not know if protégé companies are able to successfully compete for contracts without their mentors because agencies neglect to collect that type of information.

Furthermore, several groups have expressed frustration regarding the lack of parity between small business eligibility rules in the various mentor-protégé programs.

As a result of these findings, many changes have been made or proposed to the existing mentor-protégé programs. Congress passed legislation that would require SBA to approve mentor-protégé programs at civilian agencies to ensure that proper controls were put in place.

In fact, in the 112th Congress when I served as ranking member of the Contracting and Workforce Subcommittee, I worked with Congress Member Schilling to introduce the Building Better Partnerships Act. This bill, which was incorporated into the 2013 NDAA, and eventually passed into law, required SBA to expand their program to include other small business subgroups that had previously been excluded.

Earlier this year, SBA finally released the proposed rule for these changes, and the final rules are expected to be released early next year. However, changes to mentor-protégé programs have not been limited to civilian programs.

Despite metrics showing growth in its small business participants, many changes were made to the DOD's mentor-protégé program. These changes reflect growing doubt that the program is effectively executing its mandated goal, and others worry that the program cost/reimbursement tool is not being properly utilized at some mentor firms.

Because the program is not permanent and requires reauthorization, these concerns may never be addressed. In order to do so, Congress must reach a compromise on a fair NDAA that protects the future of this program.

We know these programs make a difference to small businesses. We have seen many instances of their success. It is my hope that today's hearing will shed light on how the various mentor-protégé programs are aiding small businesses that compete in the Federal marketplace.

I look forward to hearing about the steps that DOD and SBA are taking to ensure these small firms are in fact benefitting from their mentor-protégé agreements. With that, I thank the witnesses for testifying, and I yield back.

Chairman HANNA. Thank you. If members have opening statements prepared, I ask they submit them for the record.

You have five minutes. When the light goes yellow, you have another minute. We will be lenient. We have a small panel today. I think we will have time. We do want to hear what you have to say.

Before we get started, I would like to welcome Congressman Bridenstine, who is joining us today for purposes of this hearing. Thank you for being here, sir.

We have one panel today. Our first witness is John Shoraka, the Associate Administrator for Government Contracting and Business Development at the Small Business Administration. His office has jurisdiction over size standards, small business goals, and contracting regulation, as well as Government contracting and business development programs.

Our second witness today is Mr. Kenya Wesley, the Acting Director of Small Business Programs at the Department of Defense. Mr. Wesley is responsible for the small business program and policy, including the SBIR and STTR, and mentor-protégé programs.

Thank you both for being here. Mr. Shoraka, you can begin.

STATEMENTS OF A. JOHN SHORAKA, ASSOCIATE ADMINISTRATOR FOR GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT, SMALL BUSINESS ADMINISTRATION; KENYATA WESLEY, ACTING DIRECTOR OF SMALL BUSINESS PROGRAMS, DEPARTMENT OF DEFENSE

STATEMENT OF A. JOHN SHORAKA

Mr. SHORAKA. Thank you, Chairman Hanna and Ranking Member Chu, and members of the Subcommittee. I am honored to be here today to discuss how my agency is implementing changes to the mentor-protégé program and the mentor-protégé programs of

other agencies, as mandated by Section 1347 of the Small Business JOBS Act of 2010, and Section 1641 of the National Defense Authorization Act of 2013.

The Small Business Administration has a long established 8(a) mentor-protégé program, which is designed to enable approved mentors to provide various forms of business development assistance to eligible 8(a) program participants.

This can range from technical and/or managerial assistance, financial assistance in the form of equity investments and/or loans, subcontracts, and/or assistance in performing Federal prime contracts through joint venture arrangements.

The goal of the 8(a) mentor-protégé relationship is to enhance the overall capability of eligible protégés, improve the protégé's ability to successfully compete for both prime and commercial contract opportunities, and increase their chances for entrepreneurial success upon completion of the nine year 8(a) business development program.

Success is different for each 8(a) participant because each mentor-protégé agreement uniquely describes the protégé's specific needs and provides a detailed timeline for delivery of the assistance the mentor commits to provide to address those needs.

Protégés receive assistance in developing their infrastructure, building technical experience in past performance, and developing quality management systems. They also receive assistance with obtaining security clearances for their employees and facilities, developing prime contract proposal writing skills, and strengthening their ability to manage finances and general administrative business operations.

The 8(a) mentor-protégé relationship can also enhance the protégé's competitiveness, with both 8(a) and non-8(a) contract awards, as larger, more established mentors can enter into joint venture agreements with protégés to compete for certain Federal Government contracts and subcontracts.

Currently, there are 389 active 8(a) mentor-protégé agreements in SBA's portfolio, and 141 SBA approved 8(a) mentor-protégé joint ventures. In fiscal year 2015, 8(a) joint venture obligations were valued at \$1.42 billion. This includes both 8(a) and non-8(a) procurements.

One of SBA's top priorities is to ensure that the benefits of its contracting programs flow to the intended recipients, and oversight of the agency's 8(a) mentor-protégé program is conducted annually by SBA District business opportunities specialists and the headquarter offices of continuing eligibility review.

Each year, mentor-protégé relationships are reviewed to ensure that teams continue to meet the objectives of the program, and to monitor activities to mitigate any potential risks associated with fraud, waste, and abuse.

At least annually, the SBA evaluates the success of the mentor-protégé relationship to ensure that each protégé received the business development assistance promised under its agreement, and that the relationship continues to be of benefit to the protégé firms.

Over the past several years, Congress has significantly broadened the scope of SBA's mentor-protégé authority. The JOBS Act of 2010 enabled the agency to expand the mentor-protégé program

to include all other socioeconomic category participants. Subsequently, in the NDAA of 2013, Congress authorized the SBA to create a mentor-protégé program to include all small businesses. On February 5, 2015, the SBA issued a proposed rule to establish a Government-wide small business mentor-protégé program, and the comment period for that proposed rule has since closed.

We are currently drafting a final rule that will then be sent for interagency review. SBA has begun planning for implementation and has established a working group to oversee the expansion of the program. NDAA 2013 also required the SBA to review the mentor-protégé program of other agencies within one year of implementing the final rule to determine whether they should continue. The Department of Defense's program was specifically excluded.

SBA is committed to the full expansion of the mentor-protégé program, and across the Administration, we are committed to ensuring that more small businesses have access to programs that will enable them to compete for more contracting opportunities, grow their businesses, and create jobs in our communities.

As Administrator Contreas-Sweet highlighted in her priorities' speech, the SBA will be a market maker for small companies by opening new business channels within the Federal Government.

I want to thank you for your continued leadership and support, and I look forward to your questions.

Chairman HANNA. Thank you. Mr. Wesley?

STATEMENT OF KENYATA WESLEY

Mr. WESLEY. Thank you for the opportunity to speak today about the Department of Defense's mentor-protégé program and how we serve small businesses.

I would like to take the time to explain to you that the mentor-protégé program is not just a tool for us but it is one of the most important tools for us in the Department to control, grow, and mentor our industrial base.

The actual mentor-protégé program for us, unlike our partners at the SBA, is not just about job growth. It is truly about actually having companies around that can actually ramp up in a time of any war or contingency environment that may arise.

The mentor-protégé program allows us to actually get new ideas into the Department and teach small businesses how to actually perform and function within the role of DOD.

Without that, small businesses have an impasse often when it comes down to doing business with the Department, not just with security regulations and policies, but also with accounting regulations and policies, being able to perform cost type contracting and receive those endorsements and certifications. Safety requirements that DOD often requires to work on installations when it comes to manufacturing.

Having a mentor that has already gone through that process, that understands that process, this becomes a valuable tool to remove barriers to entry into the Department.

DOD was the first agency to have a Federal mentor-protégé program and become fully operational, and is the only Federal agency currently required by statute to collect information on protégés after they exist the program, of which we do.

Ranking Member Chu, we are one of those agencies who actually do track that information and actually provide it back to our sister agency, the SBA, of how they perform up to two years after the program. We actually provide those metrics.

We actually also collect information on protégés while they are in the program, and I will discuss that later during the question and answer period. They also have insights eligible to how we measure success.

One of the first things I did upon arrival 17 months ago into the Department was to set up a metric program to measure return on investment for the Department. One of the things we have done to improve the long term utilization of these companies is we have tied the mentor-protégé agreements beginning this year, this fiscal year, to the top 10 challenges within the Department Commander's top 10 issues. That way, they are tied specifically to a program system of record or work.

That way, when they actually get to subcontract out with a large prime, to get experience, we actually are now trying to combat their number one issue during source selection, which is past performance.

One of the most rigorous challenges a small business has when they go up and compete against established corporations or established companies is they are often given a neutral rating when it comes to source selection. A neutral rating does not harm them, but when you are competing against someone who has had decades of successful performance, it does not help you either.

What we are doing is trying to establish where you can actually receive a rating as a subcontractor. Therefore, that would then eliminate their being behind the eight ball—that is my own phrase—going after a prime contract opportunity.

We are trying to not just build our industrial base, but we want to maintain the industrial base. The mentor-protégé program is one of those tools where we can keep companies afloat when it is not a time of war or contingency operation, because now they can receive subcontract opportunities, maybe at lower values, but it keeps the doors open, so that way when we need them, they are around to ramp up in the future.

In closing, I would like to just state that I would thank you all for this opportunity. I look forward to the remainder of our dialogue, and I will be free to answer any questions that you have. Thank you.

Chairman HANNA. Thank you, Mr. Wesley. I am going to ask Ranking Member Chu to ask the first question. Her knowledge in this subject is much greater than anyone else on this panel, I am guessing.

Ms. CHU. Thank you, Mr. Chair. Mr. Wesley, thank you for collecting that data during and after the protégés do leave.

Mr. Shoraka, the mentor-protégé programs are very important to me. In the 112th Congress, as you heard, I helped introduce the Building Better Business Partnerships Act, which was incorporated into the 2013 NDAA. I also introduced an amendment which passed into law which allowed for mentor-protégé agreements to be grandfathered into the new program until the expiration date of their agreements.

I would like to follow up on the implementation of this amendment. Have you seen these preexisting agreements fitting into the program, and what steps is SBA taking to ensure that these existing mentor-protégé programs are still honored?

Mr. SHORAKA. Thank you for that question. We have done an inventory of the existing mentor-protégé programs at various agencies, and there are a number of agencies that currently have mentor-protégé programs that are very different and unique from the Small Business Administration's mentor-protégé program.

At an agency, typically, you look at a prime-sub relationship, where the mentor is the prime and the protégé is the sub. We have had long discussions with the agencies that have current plans about how those get implemented into ours, as well as potentially continue on under our umbrella, because they are unique and different from the joint venture mentor-protégé program that the SBA has.

I think both in the sense of other agencies' programs as well as the Department of Defense's program, they are different and provide a different tool for the development of protégés.

Ms. CHU. My amendment also clarified that program regulations must protect protégés against actions that negatively impact them or provide disproportionate benefits to the mentor.

I introduced this amendment to ensure that mentors do not receive more benefits from the programs than their protégés. How is SBA working to make sure that this safeguard is being implemented?

Mr. SHORAKA. Thank you. One of the major points that we want to address in implementing this, because there is fraud, waste, and abuse, is protecting the protégé. In the 8(a) program, the business opportunities specialist has an annual review which looks at implementation of the joint ventures, and making sure that the protégé is receiving their fair share of the contract.

We want to make sure as we expand this exponentially to include all small businesses, that we implement some checks and balances to make sure there is a review process, there is a reporting structure, where at least on an annual basis, a joint venture reports the division of contracts between the protégé and the mentor.

I think one of the issues that we have is that we have limited resources within the SBA. The BOSs service the 8(a) companies. As this gets expanded exponentially, how do we make sure we have checks and balances so that a reporting structure is in place to address just the concerns you raised.

Ms. CHU. Are those reports available to us?

Mr. SHORAKA. The reports with respect to?

Ms. CHU. Checks and balances.

Mr. SHORAKA. We are in the process of establishing a pilot program to expand the mentor-protégé program across the Federal agency, so once there are reports, we are certainly happy to share them.

Ms. CHU. Let me ask about funding. When Congress mandated the mentor-protégé programs for the small business subgroups, there were no funds available for their implementation. SBA has estimated that at least 2,000 firms could become active in the proposed mentor-protégé program. Does SBA currently have the re-

sources necessarily to handle such a large number of first time new applicants?

Mr. SHORAKA. I think that is a very important question. As you pointed out, certainly this is a tool for development for the protégés, but one of our main concerns is making sure the protégé is benefitting and receiving its fair share, both of the contracts under a joint venture, but also in receiving the benefits that the mentor-protégé plan outlines for the protégé to receive.

Certainly, if the program is expanded, as you mentioned, from the 389 that are in an 8(a) program now, to over 2,000 potentially, it could have a significant impact on our resources. As you mentioned, there were not additional resources provided to the SBA.

We intend to launch this next summer as a pilot program to determine what the impact is, and from there, decide how it is implemented fully, making sure the benefits flow to the intended recipients.

Ms. CHU. Thank you. My time is up and I yield back.

Chairman HANNA. Thank you. The fiscal year 2016 NDAA would have required DOD to assess affiliations between potential mentors and protégés prior to admitting them to the program.

This raises three questions, and they go to both of you. First, is there reason to believe there is an affiliation between perspective mentors and protégés before they enter the program. Second, does DOD have the capability to perform this assessment. Third, does SBA have any concerns allowing another agency to make these determinations.

Mr. SHORAKA. I am happy to start off. I think under our rules, any statutory mentor-protégé program when it comes to affiliation, any assistance that is received from the mentor to the protégé in determining the potential affiliation is exempted.

In other words, if you have a mentor-protégé relationship under the DOD program, which is a statutory program——

Chairman HANNA. We are asking about before they enter the program.

Mr. SHORAKA. Beforehand. We do not currently look at affiliation in the Department of Defense with respect to a mentor-protégé agreement. Where we would address that is in case of a protest. If there is a protest based on the relationship previously from the mentor to the protégé, that is where we would review that and determine if affiliation exists, but we do not currently as a matter of practice——

Chairman HANNA. It would be after the fact brought on by a third party.

Mr. SHORAKA. Or an interested party, including a contracting officer.

Mr. WESLEY. From a DOD perspective, we actually do currently review and make sure that there were no previous relationships prior to the agreement being signed. All companies can come in and apply, but we actually do a thorough review, and in fact, just last year, I implemented a review at the OSD level of all agreements from the Services.

The Services still have the ability to approve their agreements, but they do not approve them until a gentleman by the name of Robert Stewart, who I actually assigned as the program manager,

has reviewed that, and one of the things he checks for is whether or not there is an agreement in place before, where they have a prior relationship beforehand. We do validate that prior.

The last question I believe you asked was do we have the ability—I think I have answered that by saying we are already doing it.

Chairman HANNA. Let me ask you something. Part of this is to create a bank, if you will, of companies that are ready to go. That makes sense, on its face, but you mentioned in your opening statement that part of what you want to do is keep these companies in business, doing business, after they leave.

How do you do that and maintain the integrity of the bidding process in terms of competitiveness, being the low bidder? It sounds as though you just would have to find a way to keep these companies going. I hope that is not the case.

Mr. WESLEY. No. The competition process tends to work itself out, but what we do is during the source selection or during the creating of contract language, if a contracting officer wants to give credit for a company being in the mentor-protégé program, they advertise that up front. That way, it is in the competitive documents prior to—

Chairman HANNA. Are there rules around the points that can be given?

Mr. WESLEY. No, we do not give bonus points to that, but what we do is we say highly encourage to utilize a mentor-protégé firm, and in that way, they are entitled or allowed to go out and utilize them prior to going out and signing a new—

Chairman HANNA. What standard do you use to establish that recommendation?

Mr. WESLEY. As far as what, sir?

Chairman HANNA. If you are going to say that, you must have a reason.

Mr. WESLEY. Yes. What we are trying to do is encourage the use of the program at a higher level and actually make it a focused use. What we are wanting to do—when I came on board, one of the things I looked at is how many companies were around after they graduated the program, but how many were actually receiving work on a continuous basis. To me, that is a monitor of success for the program.

Chairman HANNA. Do you use a subjective method to say maybe for this company, there is not as much need for what they do, as opposed to there is enough in the marketplace?

Mr. WESLEY. No, so what—

Chairman HANNA. Or is everybody just treated—

Mr. WESLEY. No. Everyone is treated fairly on this. What happens is it is based on the type of work that is going out for contract. That is where the synergies are leveraged. If I am going out for an engineering support contract and I am going out for communications or electronics, any large business that has a mentor-protégé agreement with a specific small business that specializes in electronic chip making or circuit boards or things like that, they would then be able to use their mentor-protégé agreement in accordance with that contract.

It would then allow them to actually feed work into their small business that they had been working with, partnering with, that they understand, that they already are doing business with on a continuous basis.

Obviously, that is not a large \$20 or \$30 million prime contract, but it is enough to keep that company around, because we are encouraging them to continue to be around.

Chairman HANNA. Congressman Bridenstine? I am sorry. Mrs. Lawrence? Forgive me.

Ms. LAWRENCE. Thank you. Mr. Wesley, I appreciate the fact that you are collecting information and data on the trends in the Department of Defense. We are on the same page there.

I wanted to know that when you are looking at these trends and you are actually monitoring these firms after they leave, what is the data showing? What is the data telling you?

Mr. WESLEY. What we found is over 90 percent of our applicants believe that the mentor-protégé program was successful for them. That is the first thing. Then we found out that over 80 percent of them found out their mentors actually did provide some valuable training and/or information to them that they would not have been able to get on their own. That is a key piece.

The entire point of the mentor-protégé program, as you well know, ma'am, is to actually set up and give these companies information that would have been more difficult for them to achieve on their own and become a viable tool more quickly to our industrial base as well as to the overall Department.

Ms. LAWRENCE. It sounds like it is working. Why do we not have more currently participating? We have the ability for 2,000 firms; correct? We currently have 389?

Mr. WESLEY. Actually, I believe we have less active agreements than that, ma'am. I can give you the exact number.

Ms. LAWRENCE. What do you think—that is our buzzer.

Mr. WESLEY. We have 88 total active agreements currently.

Ms. LAWRENCE. Eighty-eight. How do we grow that?

Mr. WESLEY. One of the things I wanted to do was focus on getting the right agreements in place before we focused on growth. There is a reason for that. The mentor-protégé program, as you all are aware because you have taken such a great interest in this program, which I thank you for, by the way, it actually to me can be misused if you are not careful.

I genuinely want to make sure that the small businesses or the protégés that are actually in there are getting what they specifically need. We are taking the time to set up the counseling sessions with a tiered review approach where we now actually make sure they are married up with the right company, that they have a good understanding of what the mentor is supposed to give them, and their relationship is actually clear up front.

What we found out through our living and learning process here is sometimes the disputes between a mentor and a protégé happen just because there was not a clear understanding of what was going to be delivered by the mentor.

What we wanted to do was actually put training programs in place before a company actually began the agreement, then we start to grow it as more people understand it.

Ms. LAWRENCE. What is your projection of when we will get to the growth phase?

Mr. WESLEY. I would anticipate, ma'am, you will see steady growth over the next three years. What I mean by "steady growth," I am looking at trying to make sure this year we continue the growth pattern, which will add another 30 to 40 agreements this year, and then even higher the following year, and then get up into a couple of hundred the next year. I mean new agreements, let me be clear on that.

The reason I am putting that out there is because it is not just about the growth of the program. It is about the effectiveness of the program.

Ms. LAWRENCE. Exactly.

Mr. WESLEY. When you talk about the effectiveness of the program, I am also talking about the residual usage of the small business firms because although my job is not to actually generate job growth, it is a second, third, and fourth order effect of our program if we do it right.

Ms. LAWRENCE. Mr. Wesley and Mr. Shoraka, one of the frustrations I hear in the field from small businesses is that opportunities like this are available, but they cannot seem to get access to it. My job is to make sure small businesses are aware of programs. When we say it is available, if someone meets the criteria today, they will have access.

One last question to Mr. Shoraka. I am very concerned about opportunities for women owned businesses and veteran owned businesses. Specifically, how can they take advantage, and will this program be an advantage for them?

Mr. SHORAKA. Yes. First of all, thank you for focusing on the women owned small business program, as well as the Service disabled veteran program.

Over the years, because of significant focus, both with the support from the Hill as well as the Administration, we have been successful in getting more business to both of those categories, and expanding the mentor-protégé program to include women owned small businesses, to include Service disabled veteran owned small businesses, will certainly create additional opportunities for them to participate in the Federal procurement process.

I, too, want to make sure that businesses are aware of these opportunities. We consistently engage our field staff, our District offices, to make sure all categories and all small businesses are aware of the opportunities and are trained on how to take advantage of those opportunities.

We certainly partner with the Department of Defense in that instance. We work with the procurement technical assistance centers. We work with our SBDCs, our small business development centers, et cetera.

I think there can always be additional work to make sure the word is out there, and the training, quite frankly, is out there to take advantage of the programs.

Ms. LAWRENCE. Thank you, and I yield back my time.

Chairman HANNA. Congressman Bridenstine?

Mr. BRIDENSTINE. Thank you, Chairman Hanna and Ranking Member Chu for allowing me to attend this hearing and to ask

questions. As a member of the House Armed Services Committee, I am well aware of the importance of the mentor-protégé program.

In fact, the 1st District of Oklahoma, from whence I come, is home to many contractors who participate in the mentor-protégé program, especially in the design build firms.

My questions are directed to both witnesses. The way the mentor-protégé program is now, if a mentor assists a protégé through a subcontract, in other words the mentor is the subcontractor, the protégé can be penalized as it runs the risk of being considered affiliated and losing its small business status.

If approved by the relevant small business program component director, would not allowing the mentor to subcontract to the protégé in certain circumstances strengthen the mentor-protégé program, provided there is no reimbursement for any performance by the mentor related to the subcontract or provided the mentor is not the only or the largest subcontractor under the protégé's prime contract.

Often assistance is needed from the mentor in performing complex and unusual aspects of the protégé's contract. Would not allowing the mentor to demonstrate means of performance through a subcontract potentially serve to strengthen the successful development of the protégé? That is for both of you.

Mr. SHORAKA. Thank you for that question. Under our program, the relationship that ensues with respect to pursuing contract opportunities is not a prime/sub relationship, but it is a joint venture relationship, where the protégé receives or is to receive a good portion of that contract opportunity, so as to learn from the mentor with respect to how to implement a larger sized contract.

In those instances, the protégé is to receive—this gets a little bit complicated, but the joint venture is to receive 50 percent, at least 50 percent of the contract. The protégé is to receive 40 percent of that 50 percent.

The mentor, in other words, can do 60 percent of that 50 percent. I know that gets a little bit complicated.

That relationship provides for exactly what you explained, in the sense that the mentor is providing assistance, being able to participate in the contract to a large degree, to make sure the contract is successful, but within that relationship, help the protégé grow.

That scenario unfolds under the current 8(a) mentor-protégé program. That is the scenario that we are working to unfold for all small businesses as our rule gets finalized and the program is implemented.

I understand that in the Department of Defense world, it is a prime/sub relationship. The prime contractor is the mentor and the subcontractor is usually the protégé. Under any of those statutory programs, as the Department of Defense exists, the benefits or the assistance that goes from the mentor to the protégé cannot be used against the protégé or it cannot determine affiliation. That assistance will be excluded if we are looking at a potential affiliation issue.

However, the scenario that you pointed out is a scenario where outside of this relationship an affiliation can be found, and certainly if our area offices, which do the size determinations, find an affiliation and find that protégé to be other than small, that

protégé then has an opportunity to appeal that decision to our Office of Hearing and Appeals, and that really provides——

Mr. BRIDENSTINE. How long does that process generally take, the appeal?

Mr. SHORAKA. The appeal process? The Office of Hearing and Appeals is an independent third body that reviews our determinations. I do not know. I do not want to say the exact time frame. I believe it is 15 days that they have to determine on that appeal.

That appeal has to be filed within a short period of time, if that firm is going to file that appeal.

Mr. BRIDENSTINE. I am running out of time here. I want to get to my second question, and certainly, we can follow up on the record with maybe comments afterward.

My second question is the DOD mentor-protégé program allows the mentor to receive credit toward their subcontracting goals for their assistance to the protégé, while the Small Business Administration's mentor-protégé program currently does not.

The DOD allows the mentor to receive credit towards their subcontracting goals for their assistance, but the SBA does not. This is a significant issue that establishes a strong incentive for a mentor to provide developmental assistance.

What if anything is the SBA doing to be in line with the DOD MPP on this issue?

Mr. SHORAKA. On our part, as we look—as I had mentioned earlier, the agency programs, in fact, there are other civilian agencies that have programs that are different and unique than the SBA program. As we look to harmonize those programs as a result of the National Defense Authorization Act of 2013, we are looking to see what are some of the benefits that are provided to the mentors and protégés in that unique world, and how can we harmonize that across the Federal Government.

Those are aspects we are looking at. You are absolutely right, as it stands under our mentor-protégé program, there is no additional subcontracting credit for assistance provided.

In trying to harmonize that across the Federal Government, that may be something we look at as we implement it Federal-wide.

Mr. BRIDENSTINE. I am about a minute and a half over my time, so I will yield back.

Chairman HANNA. Thank you. Ms. Clarke?

Ms. CLARKE. Thank you, Mr. Chairman. I thank our ranking member. I thank our witnesses for being here this morning.

Mr. Shoraka, in your testimony, you discussed the SBA's expansion of its mentor-protégé program to include Service disabled veteran owned small businesses, small businesses located in historically under utilized business zones, and women owned small businesses as directed by the JOBS Act of 2010.

In the five years, has the SBA implemented mentor-protégé programs for these small businesses, and if so, can you update us as to the progress of these programs.

Mr. SHORAKA. Thank you. The Small Business JOBS Act of 2010 did direct us to expand to the other socio categories, as you mentioned, and we were in the process of drafting the rule to do just that.

The National Defense Authorization Act of 2013 authorized us to go well beyond that. It authorized us to go and expand the program to all small businesses. In effect, we pulled back that rule. We went through the rulemaking process again to expand the program to all small businesses.

The rule was put out for public comment last February and has since closed, and we are in the process of taking into account all the comments we received. We received quite a few comments. We should have a final rule published in the first quarter of 2015.

At the same time, as I mentioned in the testimony, we have a working group established that includes all of our field personnel or representation from our field personnel, from our General Counsel's Office, from the Government Contracting Office, to make sure we implement it in a smart way, but also within the resources that we have at the agency.

We are looking to launch at least on a pilot basis the program in the latter part of the summer of 2016.

Ms. CLARKE. Since the JOBS Act five years ago, we are still in the planning phase is essentially what you are saying, and the expansion of the groups is for all small businesses under the National Defense Act?

Mr. SHORAKA. That is correct; yes.

Ms. CLARKE. My concern is there was a reason why these particular businesses were targeted in the spectrum of small businesses out there. The concern is that these businesses continue to be under invested in, under supported. Do you believe or feel as though once this rule is completed, there will be sufficient resources to pay attention to these businesses?

Mr. SHORAKA. Thank you for that question. I think that is one of the issues we are grappling with with respect to resources, right. As we expand this program exponentially to all small businesses, we need to make sure we have the resources not only to implement it in a way that benefits the protégés and benefits the women owned small businesses and Service disabled community as well as the HUBZone community, but in a way that we make sure any potential risk is addressed as well.

In the 8(a) program, we have the benefit and the opportunity to do annual reviews on the 8(a) firms, and those with mentor-protégé programs and joint ventures get a review and make sure the benefits are indeed flowing as planned.

Outside of that 8(a) world, we need to develop mechanisms to make sure we have similar oversight.

Ms. CLARKE. If you could give us a sense at some point in time of what you believe or the agency believes will be sufficient in terms of resources, I really get concerned when we expand given the fact that there was a specific concern around these particular businesses and where they are located under the JOBS Act. It is sort of brush aside to look at a more expansive program. Would you please try to give us a sense of that?

Mr. SHORAKA. Yes.

Ms. CLARKE. Mr. Wesley, in your testimony, you referred to a GAO report which concluded that 93 percent of protégé firms reported their participation in the mentor-protégé program enhanced their firms' overall capabilities.

To what would you attribute that high rate of success, and what could we learn from these successes that we can apply to other Government mentor-protégé programs?

Mr. WESLEY. I think the first thing that we do is we actually sit down and have a pre-meeting with the firms up front. We make sure they understand exactly what is expected out of each of them. The protégé agreements have clear guidelines as well as deliverables. It tells you on the reimbursement side of it, you will not be paid until you have delivered these items. If it is a subcontract credit, you will not receive that subcontract credit until these deliverables have been met.

We give clear delineation. Therefore, we make sure each party knows exactly what is expected of them. We sit down and make sure they have a good understanding. That pre-meeting—I kind of equate it as marriage counseling, if you will. They get that ahead of time so they can understand, they are on the same page both on a financial basis, but also from an actual business perspective. Sometimes, business visions are different. We also try to make sure they marry up to whatever the protégé needs is what the mentor is truly going to provide, and do they have the capability of providing it.

There is no need for you to have a mentor go after, guiding a protégé for a Top Secret SEI clearance when they do not have one themselves. They do not know how to go through and get one.

We are trying to make sure that they actually have the skills to deliver on what they are promising to deliver. I think that is one of the biggest items I can attribute that to, the pre-discussions ahead of time.

Ms. CLARKE. Have you had an opportunity to sort of look at how these mentor-protégé relationships are jelling, if you will, and whether in fact we have models that could be used by SBA to expand the program?

Mr. WESLEY. The one thing I will tell the entire Committee and go on record with is myself and the Small Business Administration are communicating regularly. I have bi-weekly meetings with John Shoraka and his team. We are sharing information.

To answer your question specifically, I do believe that we will be sharing not just our metrics and how we track information, but the tools we use. I believe we do have some working models that we can share with them at any given time going forward. Yes, ma'am. I do believe we can do that.

Ms. CLARKE. Thank you. Mr. Chairman, I have gone over my time, and I yield back.

Chairman HANNA. Thank you. I appreciate your testimony. You were both well prepared and clearly know your subject matter.

If there are no further questions for these witnesses, I want to thank you again for your testimony. Given the President's veto of fiscal year 2016 NDAA, and we hope to work through that, the future of the DOD mentor-protégé program is in limbo. Congress must act to reauthorize the program, and as we do, I hope we will consider making the appropriate reforms.

Likewise, as the SBA moves to finalize its rules on Government-wide and civilian agency specific mentor-protégé agreements, I hope it will do so and trust it will do so thoughtfully.

I also hope that we are all agreed that the mentor-protégé program must successfully demonstrate benefits to the companies and taxpayers by ensuring that the small businesses are better able to compete for contracts when they exit the program.

I look forward to working with my colleagues on these issues, and thank you all for your participation today.

Everyone has five legislative days to amend. I should know that by now. I ask unanimous consent that members have five legislative days to submit statements and supporting materials for the record. Without objection, so ordered.

This hearing is now adjourned.

[Whereupon, at 10:58 a.m., the Subcommittee was adjourned.]

A P P E N D I X



U.S. Small Business Administration

Washington, D.C. 20416

TESTIMONY of

A. JOHN SHORAKA

Associate Administrator, Government Contracting Business Development

U.S. Small Business Administration

U.S. House of Representatives Committee on Small Business

Subcommittee on Contracting and Workforce

*Maximizing Mentoring: How are the SBA and DoD Mentor-Protégé Programs
Serving Small Businesses?*

Tuesday, October 27, 2015

10:00 AM

Chairman Hanna, Ranking Member Takai, and members of the Subcommittee, I am honored to be here today to discuss how my agency is implementing changes to its mentor-protégé program and the mentor-protégé programs of other agencies, as mandated by section 1347 of the Small Business Jobs Act (Jobs Act) of 2010 and section 1641 of the National Defense Authorization Act (NDAA) for Fiscal Year 2013.

The Small Business Administration has a long established 8(a) mentor-protégé program, which is designed to enable approved mentors to provide various forms of business development assistance to eligible 8(a) Program Participants. This can range from technical and/or managerial assistance, financial assistance in the form of equity investments and/or loans; subcontracts; and/or assistance in performing Federal prime contracts through joint venture arrangements.

The goal of the 8(a) mentor-protégé relationship is to enhance the overall capability of eligible protégés, improve the protégé's ability to successfully compete for both prime and commercial contract opportunities, and increase their chances for entrepreneurial success upon completion of the nine (9) year 8(a) Business Development program. Success is different for each 8(a) Participant because each mentor-protégé agreement uniquely describes the protégé's specific needs and provides a detailed timeline for delivery of the assistance the mentor commits to provide to address those needs. Many of our protégés receive assistance in developing their infrastructure, building technical experience and past performance, developing quality management systems to earn International Organization for Standardization 9000 certification (often referred to as ISO 9000), and developing process improvement standards to earn Capability Maturity Model Integration certifications (often referred to as CMMI). Protégés also receive assistance with obtaining security clearances for their employees and facilities, developing prime contract proposal writing skills, and strengthening their ability to manage finances and general administrative business operations.

The 8(a) mentor-protégé relationship can also enhance the protégé's competitiveness with both 8(a) and non-8(a) contract awards, as larger, more established mentors can enter into Joint-Venture (JV) agreements with protégés to compete for certain federal government contracts and subcontracts. Currently, there are 389 active 8(a) Mentor-Protégé agreements in SBA's portfolio, and 141 SBA-approved 8(a) Mentor-Protégé Joint Ventures. According to the most recent FPDS data, in Fiscal Year 2015 Agencies awarded 8(a) Joint Ventures approximately \$1.42 billion in 8(a) and non-8(a) contracts.

One of SBA's top priorities is to ensure the benefits of its contracting programs flow to the intended recipients and oversight of the agency's 8(a) mentor-protégé program is conducted annually by SBA District Business Opportunity Specialists and the Headquarters Office of Continuing Eligibility Review team. Each year, mentor-protégé relationships are reviewed to ensure that teams continue to meet the objectives of the program and to monitor activities to mitigate potential risks associated with fraud, waste and

abuse. At least annually, the SBA evaluates the success of the mentor-protégé relationships to ensure that each protégé received the business development assistance promised to it under its mentor-protégé agreement and that the relationship continues to be a benefit to the protégé firm.

Over the past several years, Congress has significantly broadened the scope of SBA's mentor-protégé authority. The Jobs Act of 2010 enabled the agency to expand the mentor-protégé program to include Service-Disabled Veteran-Owned Small Businesses (SDVOSBs), Women Owned Small Businesses (WOSBs) and small businesses located in Historically Underutilized Business Zones (HUBZones). Subsequently, in the NDAA of FY 2013, Congress authorized SBA to create a mentor-protégé program to include all small businesses, consistent with the agency's mentor-protégé program for Participants in the 8(a) Business Development program.

On February 5, 2015, SBA issued a proposed rule to establish a Government-wide small business mentor-protégé program, and the comment period for that proposed rule has officially closed. We are currently drafting a final rule that will then be sent to the Office of Information and Regulatory Affairs (OIRA) for interagency review. SBA has begun planning for implementation and stood up a Mentor-Protégé Program Expansion (MPP) Project Team to oversee the expansion and implementation of its new Government-wide mentor-protégé program. NDAA 2013 also required SBA to review the mentor-protégé programs of other agencies within one year of implementing the final mentor-protégé rule to determine whether they should continue. The Department of Defense's mentor-protégé program was specifically excluded.

SBA is committed to the successful expansion of the mentor-protégé program, and across the Administration, we are committed to ensuring that more small businesses have access to programs that will enable them to compete for more contracting opportunities, grow their businesses and create jobs in our communities. As Administrator Contreras-Sweet highlighted in her priorities speech, "The SBA will be a 'market maker' for small companies by opening new business channels within the federal government."

Thank you for your continued leadership and support, and I look forward to your questions.

FOR OFFICIAL USE ONLY
UNTIL RELEASED BY THE
U.S. HOUSE COMMITTEE ON
SMALL BUSINESS

TESTIMONY OF

MR. KENYATA L. WESLEY

ACTING DIRECTOR

DEPARTMENT OF DEFENSE

OFFICE OF SMALL BUSINESS PROGRAMS

BEFORE THE UNITED STATES HOUSE

COMMITTEE ON SMALL BUSINESS

OCTOBER 27, 2015

FOR OFFICIAL USE ONLY
UNTIL RELEASED BY THE
U.S. HOUSE COMMITTEE
ON SMALL BUSINESS

Introduction

Chairman Hanna, Ranking Member Takai and distinguished members of the Committee, thank you for the opportunity to speak with you today about the Department of Defense Mentor-Protégé Program and how we serve small businesses. My name is Kenyata L. Wesley and I am the Acting Director of the Department of Defense, Office of Small Business Programs (DoD OSBP) and I report to the Under Secretary of Defense for Acquisition, Technology and Logistics. The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD(AT&L)) is the principal staff element of the Office of the Secretary of Defense for all matters relating to DoD acquisition. As the Acting Director of the Office of Small Business Programs, it has been my honor to support the world's finest military for the past year by helping to sustain the strongest and most innovative defense industrial base. As the former Chairman of the Joint Chiefs of Staff, General Dempsey, pointed out in his testimony before the House Armed Services Committee in March of 2015, "An enduring source of strategic advantage, we count on the defense industry to be able to research, develop, produce, deliver, and maintain the world-class weapons systems on which our military has long relied."¹

Background

As a standard practice, the military always seeks to establish decentralized supply chains fed by multiple sources, and small businesses are essential components of that. As you know, small businesses are some of the greatest assets of our country that drive our economy and provide technological innovation. To that end, the Department of Defense's Mentor-Protégé Program is the only program with an active role in the growth and development of small businesses while playing a vital role in maintaining the strength and diversity of our defense industrial base. The Mentor-Protégé Program enables small businesses to meet emerging requirements by simultaneously setting them up for today's needs while posturing them for tomorrow's threats, challenges, and opportunities.

In the midst of the First Gulf War, the Department of Defense was the first agency to have a Federal Mentor-Protégé Program become fully operational. The Department of Defense Mentor-Protégé Program was established in response to section 831 of the National Defense Authorization Act for Fiscal Year 1991. Since 1991, the program has offered substantial assistance to small disadvantaged businesses by helping them to expand the overall base of their marketplace participation, which in return produces more jobs and increased national income. The DoD Mentor-Protégé Program assists eligible small businesses (protégés) to compete successfully for prime contract and subcontract awards by partnering with eligible large companies (mentors) under mentor-protégé agreements.

¹U.S. House Committee on Armed Services, Hearing on *The President's Proposed Authorization for the Use of Military Force against ISIL and the Fiscal Year 2016 National Defense Authorization Budget Request from the Department of Defense*, March 18, 2015. 114th Congress, 1st Session. Washington: 2005 (Posture Statement of Gen. Martin E. Dempsey, Chairman of the Joint Chiefs of Staff), p. 11.

Over the years, the program has established a proven success record. In 2007, the Government Accountability Office concluded that most former protégé firms valued their experience—with 93% of them reporting that their participation enhanced their firm’s overall capabilities; 87% of them reporting that mentors helped with their business development, and 84% reporting that mentor support helped their engineering or technical expertise.²

Improvements and new Initiatives

Over the past couple of years, the Mentor-Protégé Program has begun to undergo a transition. For example, we formed government-led working groups to cultivate new relationships with DoD acquisition professionals and thereby facilitate the exchange of information and ideas with industry. These government working groups will yield greater continuity among all agencies and components and share the best practices and lessons learned to all DoD participants. I have also directed my team to undertake the revision of Department of Defense’s regulations to incorporate this feedback into the program. The first drafts of those revisions are expected to be released for comment by the end of this year. In the upcoming months, we will also engage with the Small Business Administration and other Federal agencies to harmonize⁴ efforts to promote continuous improvement within the program.

We would also like to implement a tiered developmental plan—in which potential protégés undergo an initial assessment to determine what characteristics are necessary to become successful small business partners for large defense contractors.

Congressional Inquiries

While undergoing these transitions, the DoD Office of Small Business Programs has also made note of Congressional to the Mentor Protégé Program. Congress expressed concern about whether the program’s developmental assistance was being employed in the most effective and efficient manner.³

To address effectiveness and efficiency, the focus of all future Mentor-Protégé agreements under the program will be narrowly focused and prioritized on developmental assistance for entities that directly support: (1) department/component/agency missions; (2) the Secretary of Defense’s top ten challenges; (3) major acquisition programs of record; and (4) challenges/threats facing the department across the entire enterprise.

As the Government Accountability Office has previously noted, the Department of Defense is the only Federal agency currently required by statute to collect information on protégé firms after they

² U.S. Government Accountability Office, *Contract Management: Protégés Value DOD’s Mentor-Protégé Program, but Annual Reporting to Congress Needs Improvement*, GAO-07-151, January 31, 2007, p. 6.

³ Conference Report to accompany H.R. 1735, National Defense Authorization Act for Fiscal Year 2016.” H.R. Rep. No. 114-270, pp 711-712.

exit the program.⁴ The Defense Contract Management Agency collects extensive data on the number and type of agreements in place, the locations and socio-economic categories of participating firms, and the forms of developmental assistance provided under those agreements. We collect information on the trends in employment, revenue, and Federal contract and subcontract awards to protégé firms while they are in the program and for a period of up to two years after they leave the program. These insights enable the Department to make adjustments to program management to become more effective and efficient.

For your awareness, I have provided the committee with a break-out of the mentor-protégé agreements currently in place. One-third of these agreements relate to contracts supporting the intelligence community and many others also relate to classified work. One of the responsibilities of the DoD Office of Small Business Program's includes collecting and sanitizing this classified data through internal DoD security with the Small Business Administration. This is an effective and efficient use of federal resources.

I have also directed my staff to develop programmatic metrics that clearly demonstrate the return on investment for the Mentor-Protégé Program. These metrics will capture the effect of our initiatives for Fiscal Year 2016. My staff will categorize each mentor-protégé agreement according to the Department's needs, challenges, and major defense acquisition programs to which it relates. This will illustrate not only the developmental assistance being performed, but also the capability and impact each agreement provides.

I have directed my staff to work in conjunction with the Defense Contract Management Agency and develop for consideration proposed contract guidance that would provide contract incentives to prospective protégés have previously received significant prime contract awards from the Department of Defense or from any other Federal agencies—to determine whether developmental assistance is really warranted.

I have also directed my staff to develop specific requirements for a more concrete developmental plan that would: (1) factors to assess the protégé firm's developmental progress under the program; (2) a description of the quantitative and qualitative benefits to the Department of Defense from the Mentor-Protégé agreements; and (3) goals for additional prime contract awards that protégé firm can compete for outside the Mentor-Protégé Program.

Congress also would clarify the program's eligibility to include those firms which "currently provide goods or services in the private sector that are critical to enhancing the capabilities of the defense supplier base and fulfilling key Department of Defense needs."⁵ The DoD Office of Small Business Programs is in the process of development more specific criteria to implement this provision. My approach is to support Small Business Innovation Re-

⁴ U.S. Government Accountability Office, *Small Business Contracting: Opportunities to Improve the Effectiveness of Agency and SBA Advocates and Mentor-Protégé Programs*, GAO-11-844T, September 15, 2011, p. 12.

⁵ Conference Report to accompany H.R. 1735 § 861 H.R. Rep. No. 114-270.

search/Small Business Technology Transfer projects moving directly to Phase II which currently support a major defense acquisition program or department challenge or threat.

I also understand there has been some discussion on whether to incorporate all federal mentor-protégé programs under the Small Business Administration. It is important to note that some national security interests are best served by maintaining a separate program specifically focused on developing the defense industrial base, which was the original intent of this program.⁶

Conclusion

As you can see each of the initiatives I have discussed provides greater opportunities for small businesses, promotes rapid innovation, and expands the defense industrial base—while capitalizing on the entrepreneurial spirit which makes this national great. I would like to thank you again for allowing me to speak today and I look forward to answering any questions you may have.



⁶ Sen. Levin (MI). “Amendment No. 2541 to S. 2884, National Defense Authorization Act for Fiscal Year 1991.” Congressional Record 136:16 (Aug. 3, 1990) p. S12026.